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# foreign agriculture circular

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## MALAYSIA STRIVES TO BECOME A MAJOR COCOA PRODUCER

Encouraged by the favorable results of intercropping cocoa with coconut, the Malaysian Government is actively promoting the expansion of the cocoa industry to raise farmer's incomes and to increase foreign exchange earnings from the agricultural sector of the economy. Although Malaysia is presently not a significant factor in the cocoa market, accounting for only 2.5 percent of world production, its presence will become increasingly felt during the 1980's.

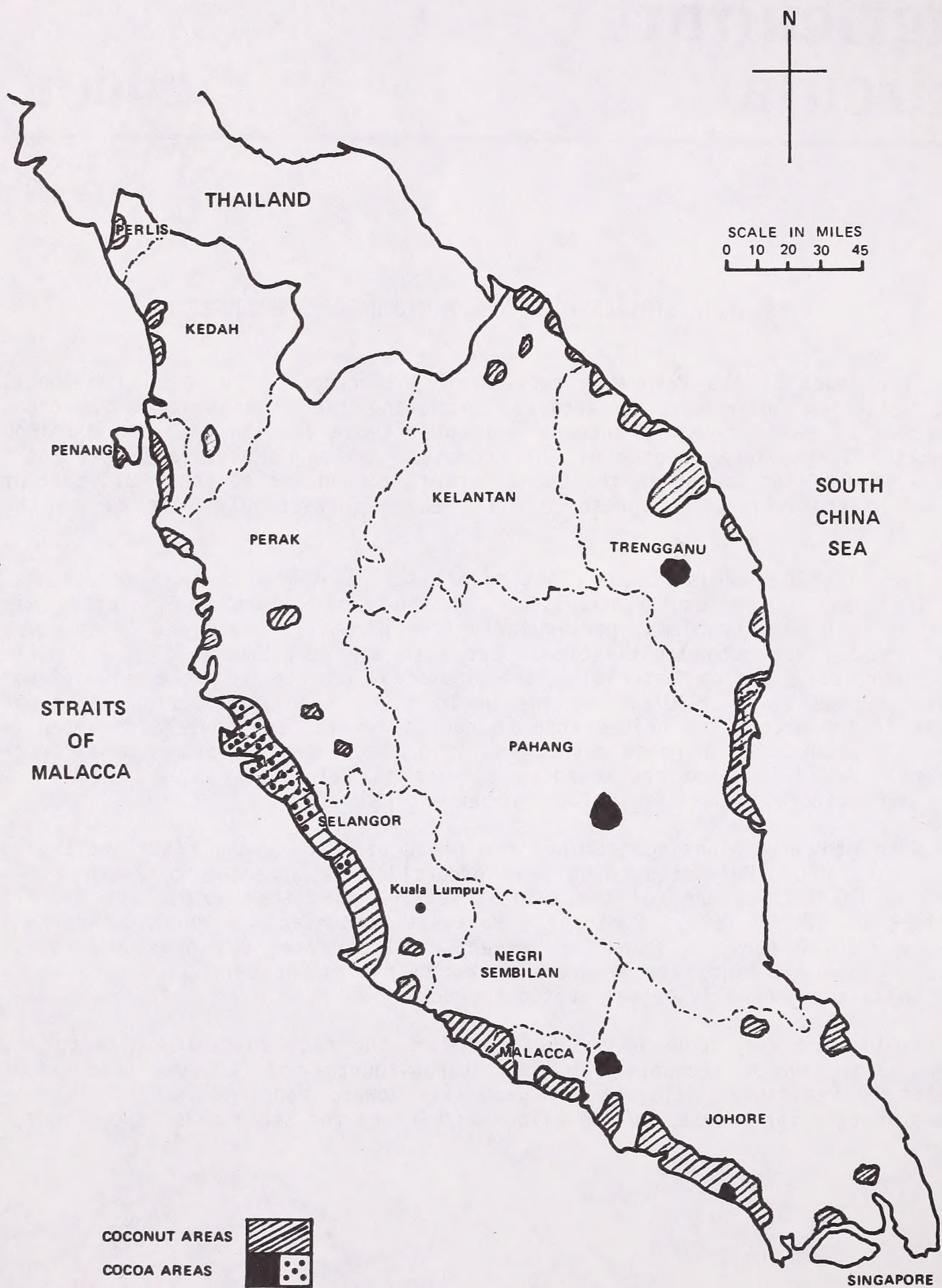
The first commercial cocoa planting project was begun in 1950 at Jerangau in Trengganu in Peninsular Malaysia. In the early years the industry was plagued with many problems, particularly from dieback disease and in locating soils that favor cocoa cultivation. But with the development of new hybrids and improved planting materials, the industry started to make significant gains in the early 1970's. As the world cocoa supply situation tightened later in the decade and prices rose to record levels, the Government intensified its efforts to increase output and launched several programs to aid producers. By 1980, cocoa had moved up to rank as Malaysia's third most important agricultural export crop after rubber and palm oil.

With many new plantings coming into production and young trees increasing in productivity, Malaysian cocoa bean production is expected to reach a record 40,000 metric tons for the 1980/81 season, more than double the 1976/77 outturn of 17,000 tons. Peninsular Malaysia accounted for about 57 percent of the 1979/80 harvest, Sabah 41 percent, and Sarawak just over 2 percent. However, new plantings are progressing at an increasing pace in Sabah, where the soils are generally better suited to cocoa.

Yields are very high in Sabah because of the rich volcanic soils in the Tawau area, which accounts for over three-fourths of Sabah's production. Yields in Peninsular Malaysia are generally lower, ranging from 1,080 kilograms/hectare for estates to 850 kilograms/hectare for smallholder operations.



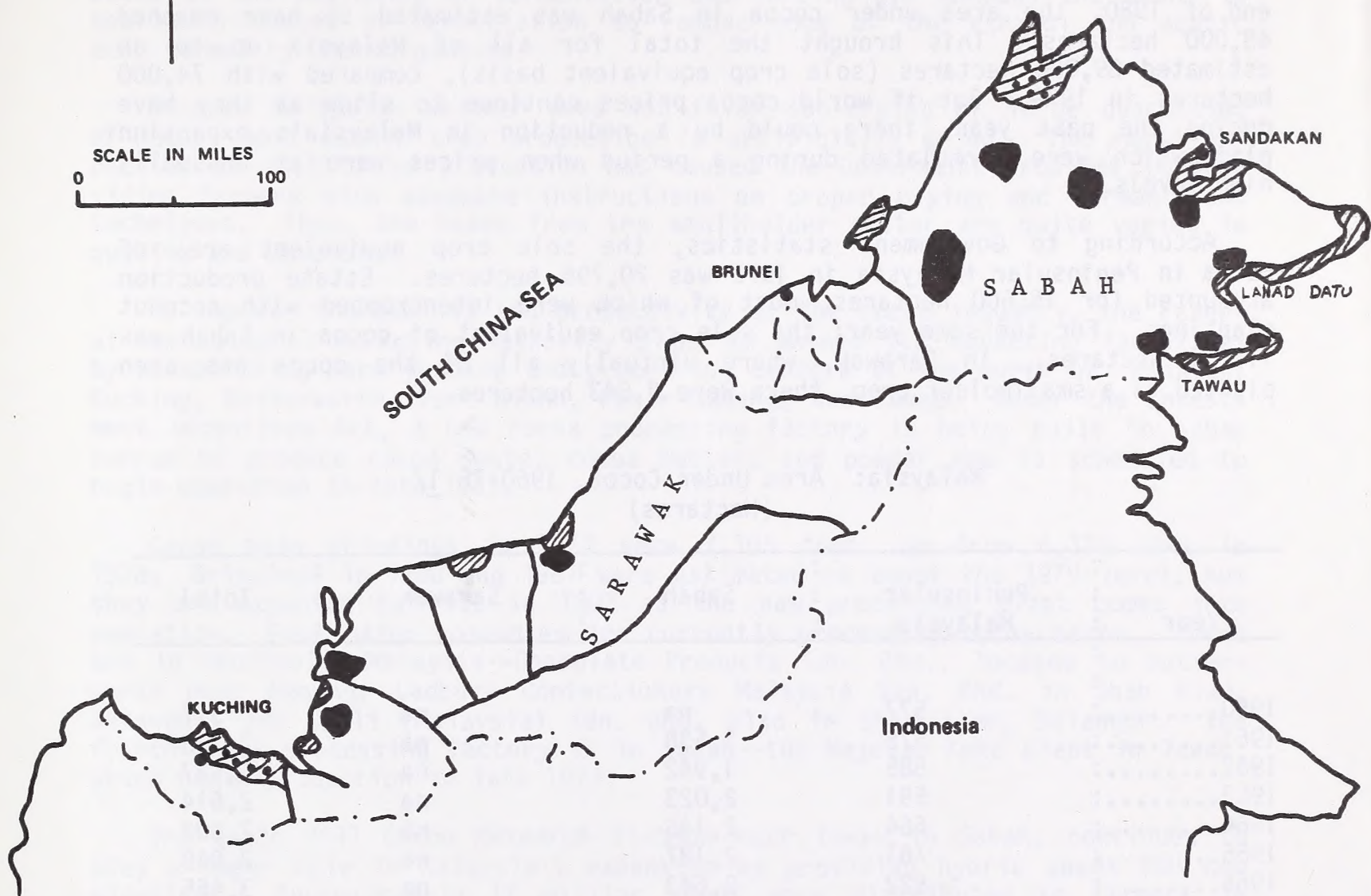
# APPROXIMATE DISTRIBUTIONS OF COCOA AND COCONUTS IN MALAYSIA







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In a 1978 report, the Government estimated that the area under cocoa in Sabah would reach 40,000 hectares by 1985 and be as much as 140,000 hectares by the end of the century. Plantings in Peninsular Malaysia would likely increase to over 100,000 hectares during the same period; and Malaysian production of cocoa beans by the turn of the century could expand to 200,000-250,000 tons. However, new plantings in Sabah have risen sharply as enormous tracts of land are being developed for cocoa along the east coast. By the end of 1980, the area under cocoa in Sabah was estimated to have reached 48,000 hectares. This brought the total for all of Malaysia up to an estimated 89,000 hectares (sole crop equivalent basis), compared with 74,000 hectares in 1979. But if world cocoa prices continue to slide as they have during the past year, there could be a reduction in Malaysia's expansion plans which were formulated during a period when prices were at unusually high levels.

According to Government statistics, the sole crop equivalent area of cocoa in Peninsular Malaysia in 1976 was 20,796 hectares. Estate production accounted for 15,600 hectares, most of which were intercropped with coconut plantings. For the same year; the sole crop equivalent of cocoa in Sabah was 11,751 hectares. In Sarawak, where virtually all of the cocoa has been planted as a smallholder crop, there were 2,843 hectares.

Malaysia: Area Under Cocoa, 1960-76 1/  
(Hectares)

Year	Peninsular Malaysia	Sabah	Sarawak	Total
1960.....	577	na	na	577
1961.....	575	1,538	na	2,113
1962.....	585	1,942	na	2,527
1963.....	591	2,023	na	2,614
1964.....	664	2,145	na	2,809
1965.....	761	2,187	na	2,948
1966.....	822	2,643	na	3,465
1967.....	865	2,793	na	3,658
1968.....	1,124	3,117	na	4,241
1969.....	1,902	3,331	na	5,233
1970.....	3,362	4,019	na	7,381
1971.....	7,492	4,517	na	12,009
1972.....	12,043	5,447	na	17,490
1973.....	15,715	6,241	na	21,956
1974.....	13,624	8,126	na	21,750
1975.....	17,586	9,823	2,843	30,252
1976.....	20,796	11,751	2,843	35,390

1/ Sole crop equivalent.

Source: Official Malaysian statistics.



The Malaysian Agricultural Research and Development Institute is conducting research to increase yields, combat diseases and pests, and to improve the quality of cocoa beans through better fermentation and drying procedures. Malaysian cocoa beans are usually sold at a discount on the world market because of their unusually high acidity. But research shows that acidity can be lowered significantly by reducing the pulp adhering to the beans at the beginning of fermentation and forcing air through the beans in the early stages of fermentation to remove some of the ethanol and acetic acid formed by microorganisms.

Because Malaysian weather does not favor sun-drying of large quantities of beans, most estate crop production is artificially dried. The rapid expansion of smallholder production has caused the Government problems in providing farmers with adequate instructions on proper drying and fermentation techniques. Thus, the beans from the smallholder sector are quite varied in quality and condition.

To improve the quality and productivity of the cocoa industry, the Federal Agricultural Marketing Authority plans to extend its marketing facilities by establishing more grading and processing centers at the ports of Kuantan, Kuching, Butterworth, Port Kland, Pasir Gudang, and Tawau. Under the Investment Incentives Act, a new cocoa processing factory is being built in Sabak Bernam to produce cocoa paste, cocoa butter, and powder and is scheduled to begin operation in late 1981.

Cocoa bean grindings in 1979 were 7,105 tons, up from 6,318 tons in 1978. Grindings in 1980 and 1981 were estimated at about the 1979 level, but they are expected to rise in 1982 as the new processing plant comes into operation. Four major companies are currently processing cocoa beans. Three are in Peninsular Malaysia--Chocolate Products Sdn. Bhd., located in Butterworth near Penang; Cadbury Confectionery Malaysia Sdn. Bhd. in Shah Alam, Selangor; and Upali (Malaysia) Sdn. Bhd. also in Shah Alam, Selangor. The fourth major processing factory is in Sabah--the Majulah Koko plant in Tawau, which began production in late 1977.

The Quoin Hill Cocoa Research Station near Tawau in Sabah, continues to play a major role in Malaysia's expansion by providing hybrid seeds for new plantings. Approximately 17 million seeds were distributed to farmers in 1980, compared with 15.9 million in 1979. Under the State Cocoa Planting Program, farmers with at least 6 hectares of suitable land can apply for subsidies in the form of free cocoa seeds, fertilizers, and polybags.



Some of the major cocoa projects under development in Malaysia are:

<u>Agency/Company</u>	<u>Description of Project</u>
Johore State Economic Development Corporation	8,100 hectares at Segamat and another 8,100 hectares at Kota Tinggi are to be planted with cocoa and oil palm.
Pahang State Government	Allocated M\$600,000 to encourage planting of cocoa. About 4,000 hectares have been designated in western Pahang for cocoa.
Selangor State Government	7,100 hectares are to be set aside for cocoa under the Fourth Malaysia Plan (1981-85).
Sakilan Desa (Sabah)	5,000 hectares are to be planted in cocoa by 1984.
Desa Teck Guan Koko (Sabah)	About 4,000 hectares of cocoa, with 2,700 hectares to be planted by 1984.
Bornion Estate (Sabah)	About 3,200 hectares of new plantings are to be completed by 1983.

It was recently announced that the Sime Darby Plantation Division has signed an agreement with Permodalan Plantations, a Sabah company, to develop 2,000 hectares of jungle land in Sabah into a cocoa plantation. Preliminary work has already started on the new plantation to be known as Sungei Kretam Estate, which is situated midway between Sandakan and Lahad Datu. The estate is expected to be fully developed in 5 years time at a cost of M\$25 million and be under Sime Darby's supervision.

Also, a Sri Lankan multinational corporation, the Upali Group of Companies, has formed a joint venture with Sabah Korporasi Pembangunan Desa for a M\$100 million cocoa and coconut project that will involve nearly 4,900 hectares near Lahad Datu in Sabah.



## MALAYSIA: Production of Cocoa Beans, 1960/61-1981/82

Crop year	Metric Tons	:	Crop year	Metric Tons
1960/61	350	:	1971/72	7,500
1961/62	500	:	1972/73	8,050
1962/63	700	:	1973/74	9,800
1963/64	850	:	1974/75	12,200
1964/65	1,200	:	1975/76	15,400
1965/66	1,700	:	1976/77	17,300
1966/67	2,250	:	1977/78	22,000
1967/68	2,350	:	1978/79	27,800
1968/69	2,750	:	1979/80	33,900
1969/70	3,200	:	1980/81 <u>1/</u>	40,000
1970/71	4,500	:	1981/82 <u>2/</u>	45,000

1/ Provisional. 2/ Forecast.

Source: FAS, USDA

Almost all of Malaysia's cocoa is grown for the export market. Singapore is the major recipient of the shipments, accounting for over one-third of the total, with most of the balance going to West Germany, the Netherlands, and Australia. As processing capacity expands, exports of cocoa butter, paste, and powder/cake are increasing. Exports to the United States are still small, although shipments have been increasing in recent years. In 1980, U.S. imports of cocoa beans and cocoa products from Malaysia amounted to \$10.2 million, compared with \$9.6 million in 1979 and \$9.0 million in 1978.

## MALAYSIA: Exports of Cocoa Beans 1960-1980

Year	Metric Tons	:	Year	Metric Tons
1960	49	:	1971	3,239
1961	191	:	1972	4,349
1962	357	:	1973	5,658
1963	463	:	1974	9,725
1964	573	:	1975	11,775
1965	788	:	1976	14,751
1966	1,058	:	1977	13,608
1967	1,333	:	1978	17,571
1968	1,914	:	1979	24,239
1969	1,776	:	1980	21,046 <u>1/</u>
1970	2,328	:		

1/ January-September.

Source: Official Trade Statistics of Malaysia.

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